



BOARD EXCELLENCE

**Maryland Environmental Trust Annual Conference**

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Wendy Wolff, MPH



# *Standards for* excellence

AN ETHICS AND ACCOUNTABILITY CODE  
FOR THE NONPROFIT SECTOR

## **Board Excellence**

Second edition, 2014



# Welcome

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## Session Objectives

- Identify the key responsibilities of an effective board member
- Identify the critical aspects between governance and management
- Understand fiduciary responsibility and financial oversight best practices.

# AHA! Moments

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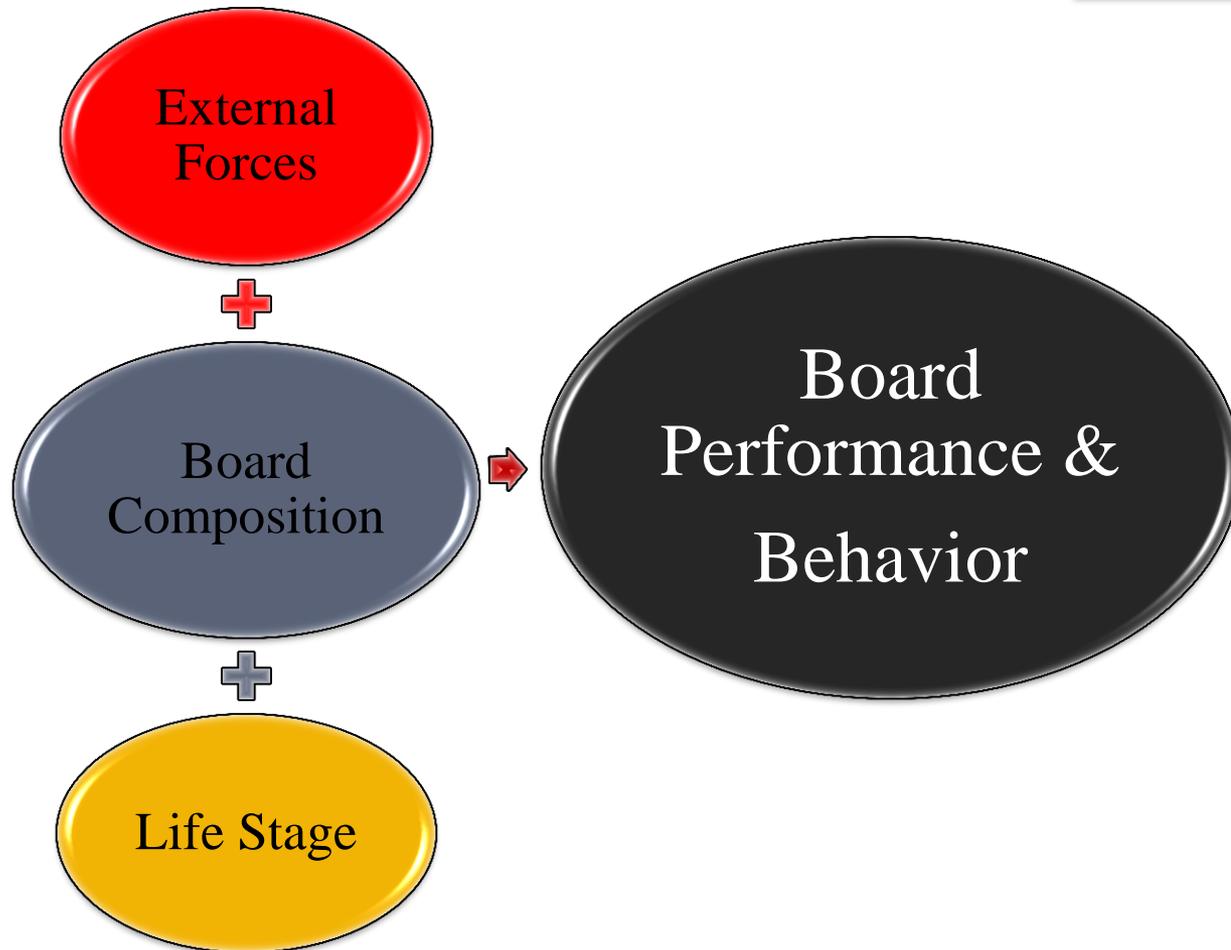
# Why Nonprofits Need Boards

## (The IRS's View)

- Tax exemption
- Publicly financed funds
- Checks & balances



# What Shapes the Board?



# ROLES OF THE BOARD

## Planning

- Mission, vision, values
- Long term planning

## Monitoring

- Legal and fiduciary oversight
- Maintain resources
- Supervise/evaluate ED

## Governance

- Establish policies
- Manage Board process
- Evaluate Board process

## External Relations

- Represent organization
- Build relationships

# Take Responsibility Be Accountable

- **Personal**
  - Fiscal
  - Resources
  - Political
  - Legal
  - Board Performance
- Commitment and passion for organization
  - Put organizations interest ahead of your own
  - Show up (meetings, events)
  - Be informed
  - Support decisions
  - Confidentiality
  - Avoid conflicts of interest

# Take Responsibility Be Accountable

- Personal
  - **Fiscal**
  - Resources
  - Political
  - Legal
  - Board Performance
- Know financial status and plan for the future**
- Understand budget (budgeted vs. actuals)
  - Understand where it comes from, where it goes and how it was used.
  - Review the 990 (tax return)

# 5 Fiscal RULES

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1. The percent of total expenses for program activities should exceed 75%. 3 out of every 4 dollars should go towards program.
2. For ever dollar spent on fundraising the organization should raise 3 dollars.
3. An organization should have 90-180 days of reserves.
4. There should be an increase in unrestricted new assets in three out of every four years. Dipping into reserves is ok but a consistent pattern of spending more funds than have ben received will put you out of business.
5. Any decrease in unrestricted net assets should amount to no more than 20% of the net asset amount at the beginning of the fiscal year. (large amount indicate that the organization failed to address or meet shortcomings)

# ACTIVITY

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## The Nature of Legal Responsibilities

# Take Responsibility Be Accountable

- Personal
  - Evaluate programs
- Fiscal
  - Identify necessary resources
- **Resources**
  - Create resource development plan
  - Clearly identify staff vs. board responsibilities
  - Each member gives every year (full participation of board)
- Political
- Legal
- Board Performance

# Take Responsibility Be Accountable

- Personal
  - Advocate for the organization
- Fiscal
  - Be non-partisan (a must)
- Resources
  - Limited lobbying under 501h of IRS Code. No more than 1 million total:
    - 20% of first \$500,000 revenue,
    - 15% of next \$500,000 in revenue,
    - 10% of balance
- **Political**
- Legal
- Board Performance

# Take Responsibility Be Accountable

- Personal
  - Comply with both state and federal law
- Fiscal
  - Penalties for not filing 990
- Resources
  - Payroll taxes
  - Sales taxes
- Political
  - Excess benefit transactions
- **Legal**
  - Compliance with charitable giving law within the states you fundraise
- Board Performance
  - Openness –990/1023/ Determination Letter

# Take Responsibility Be Accountable

- Personal
  - Understand roles and responsibilities
- Fiscal
  - Set goals
- Resources
  - Assess performance regularly
    - Full Board
    - Individual
- Political
- Legal

## Board Performance

# Take Action

- 
- **Mission/Vision**
  - Review / Revise
  - Approve Budget
  - Engage in strategic planning
  - Enact Policy
  - Assure program alignment
  - Executive Oversight
  - Recruit/Orient New Board Members

# Take Action

- 
- Mission/Vision
  - **Approve Budget**
  - Enact Policy
  - Executive Oversight
  - Recruit/Orient New Board Members
  - Reflective
  - Realistic
  - Accurate
  - Commission & approve annual audit

# Take Action

- Mission/Vision
- Approve Budget
- **Enact Policy**
- Executive Oversight
- Recruit/Orient New Board Members
- Use policies to facilitate decision-making
  - Conflict of interest
  - Personnel
  - Gift acceptance
  - Purchasing
  - Investing
  - Advocacy
  - Whistleblowing

# Take Action

- 
- Mission/Vision
  - Approve Budget
  - Enact Policy
  - **Executive Oversight**
  - Recruit/Orient New Board Members
  - Hire
  - Supervise
  - Evaluate
  - Support
  - Succession Planning

# Take Action

- Mission/ Vision
- Approve Budget
- Enact Policy
- Executive Oversight
- **Recruit/Orient New Board Members**
  - Promote the organization
  - Job descriptions
  - Onboarding
  - Term limits
    - Fresh perspective
    - Reflect constituencies
    - Tap expertise
    - End in sight...

# Take Action

- Mission/ Vision
  - Approve Budget
  - Enact Policy
  - Executive Oversight
  - **Recruit/Orient New Board Members**
- Staying engaged
    - Choose don't assign
    - Offer mentors
    - Discussion not reporting
    - Support with info and training

# Setting Expectations

## Job Descriptions

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- Mission
- Key responsibilities of the full board
- Key responsibilities of individual directors
- Time demands
  - Attendance policies
- Financial and resource development
- Consequences for non-compliance and enforcement
- Developed by the board or governance committee
- Approved by the full board
- Signed or agreed upon by all members

# Board Operations and Performance

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GOVERNANCE

VS.

MANAGEMENT

# GOVERNANCE IS

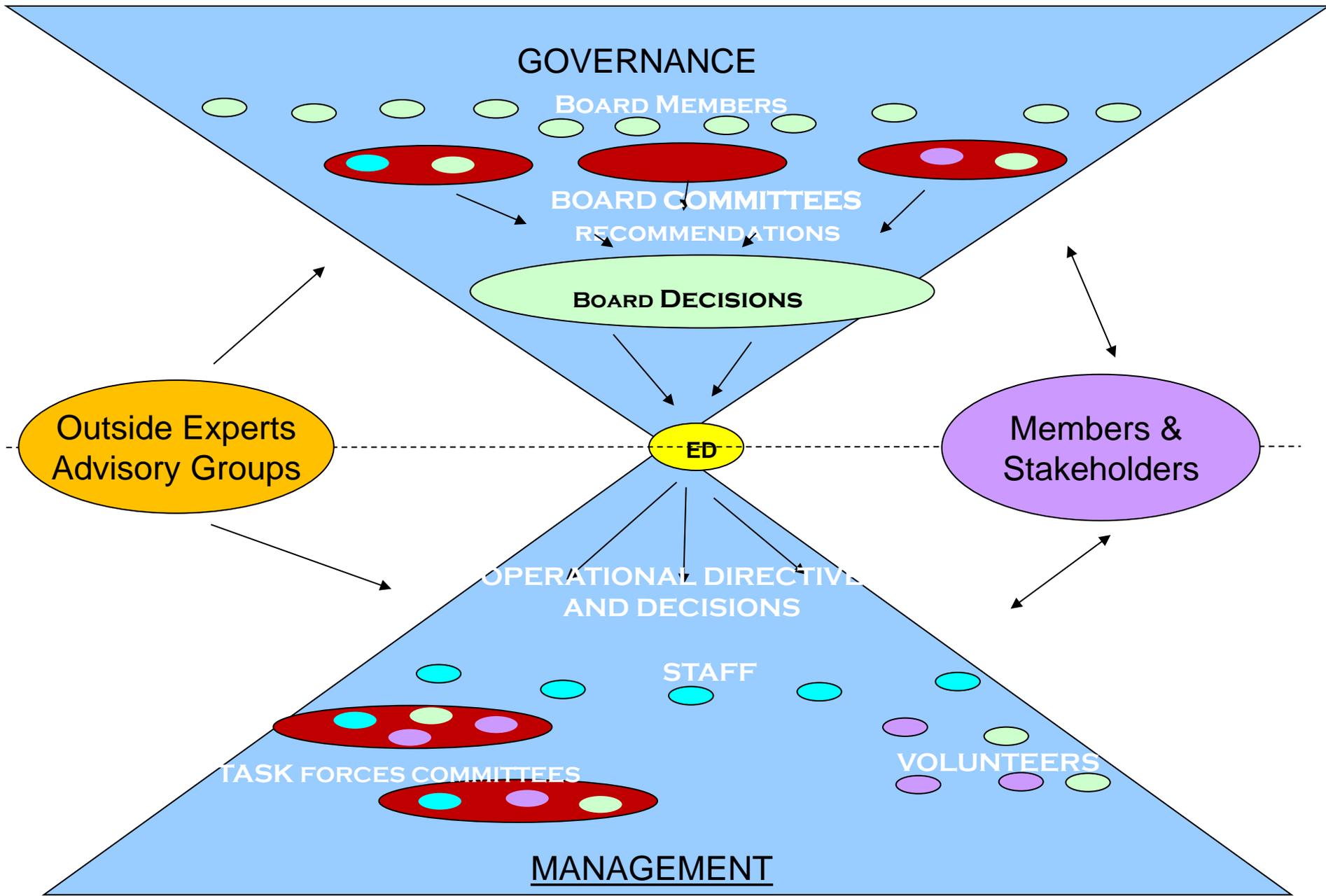
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- Mission, Vision, Strategy
- Desired Results/Evaluation
- Policies
- Fiscal Oversight (audit, quarterly financial reports)
- Budget Approval
- Fundraising Plan
- Fundraising Implementation
- External Relationships (Shared with management)
- Evaluation of Executive Director
- Hiring/Firing Executive Director

# MANAGEMENT IS

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- Program Development and Implementation
- Quality Assurance
- Legal Compliance
- Day-to-Day Management
- Personnel Management
- Budget Preparation
- Fiscal Management
- Fundraising Implementation
- External Relationships (shared with Board)
- Evaluation, Outcomes Measurement



# Golden Rule for Board Members

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No single board member can compel resources of the organization outside the board room unless authorized by the board.





MARYLAND  
NONPROFITS

**Thank you!**

For more questions, please contact:

Wendy Wolff: 443- 438-2341

[wwolff@mdnonprofit.org](mailto:wwolff@mdnonprofit.org)